Ador Welding Limited

March 25, 2025

Facilities/Instruments	Amount (₹ crore)	Rating[1]	Rating Action
Long-term bank facilities	62.50	CARE A+; Stable	Reaffirmed
Long-term / Short-term bank facilities	113.00 (Enhanced from 110.00)	CARE A+; Stable / CARE A1+	Reaffirmed
Short-term bank facilities	56.00 (Enhanced from 49.00)	CARE A1+	Reaffirmed

Details of instruments/facilities in Annexure-1.

Rationale and key rating drivers

The reaffirmation of ratings assigned to bank facilities of Ador Welding Limited (AWL) continues to factor in its strong business risk profile supported by its well-established position in the domestic welding industry, strong brand recall, and diversified product portfolio. The business risk profile is further aided by the company's comprehensive sales and distribution network, thereby establishing itself as one of the key players in the organised market.

In FY22, AWL had announced the proposed scheme of amalgamation of Ador Fontech Limited (AFL) into/with itself through merger by absorption. The scheme of Amalgamation was approved by the National Company Law Tribunal (NCLT), Mumbai Bench vide order dated August 20, 2024. The scheme became effective on September 25, 2024 upon filing of the certified copy of the order with Registrar of Companies from appointed date of April 01, 2022. The merged entity is expected to benefit from expanded product portfolio and distribution network and manufacturing synergies. For FY24, AFL (Standalone) reported total operating income (TOI) of ₹204 crore and PAT of ₹26.61 crore.

In FY24, TOI of AWL (pre-merger) grew by 14.09% y-o-y to ₹888.64 crore, aided by growth in consumables and equipment segments. The company's consumables division reported y-o-y growth of 10% while the equipment division grew by 52% to ₹175.21 crore. The services division (earlier known as flares & process equipment) witnessed degrowth in FY24 and reported PBIT loss due to execution delays and higher cost absorption. The company added new export markets in the year and was able to improve its export sales to ₹120 crore in FY24 (PY: ₹71 crore). AFL is into the business of maintenance and reclamation (M&R); the TOI has been in the range of ₹203 to ₹208 crore during FY22 to FY24.

Restated consolidated financials of AWL (includes merged AFL and its subsidiary 3D Future Technologies Private Limited) reported TOI of ₹1073.62 crore and PAT of ₹86.46 crore for FY24. In 9MFY25, TOI reached ₹812.66 crore (PY: ₹776.28 crore), supported by ₹653.12 crore from the product division, ₹55.78 crore from services, and ₹149.16 crore from M&R. However, PBILDT margins fell to 8.72% (PY: 10.99%) due to slower industrial activity and decline in steel prices in H1FY25.

The capital structure remains comfortable with overall gearing at 0.09x and interest coverage of 29x. The company's liquidity position is supported by moderately utilised bank lines and cash and cash equivalent of ₹82 crore as on March 31, 2024. The ratings though continue to remain constrained due to susceptibility to volatility in raw material prices, foreign exchange risk and prevalent competition in the welding industry from domestic and international players

Rating sensitivities: Factors likely to lead to rating actions

Positive factors

- Increased scale of operations with improvement in operating margins by more than 13.00% on a sustained basis and/or improved profitability from Services (earlier Equipment, Flares & Process Equipment) division.
- Maintenance of operating cycle below 75 days with better receivable management, in turn reducing reliance on external borrowings.
- Return on capital employed (ROCE) is being maintained above 25% on a sustained basis.

[1]Complete definition of ratings assigned are available at www.careedge.in and other CARE Ratings Limited's publications.

Negative factors

- Deterioration in performance due to decline in total operating income, segmental losses, resulting in operating margin to remain below 8.00% on a sustained basis and interest coverage ratio below 6.0 times.
- Unprofitable projects in Services (earlier Flares & Process Equipment) business impacting blended operating profitability margin.
- Total Debt/ PBILDT (Profit Before Interest, Lease rentals, Depreciation and Taxation) is above 1.0x on a sustained basis.

Analytical approach: Consolidated

CARE Ratings Limited (CARE Ratings) was combining the financials of Ador Welding Limited and Ador Fontech Limited due to the scheme of amalgamation announced by AWL. The combined view was taken due to inter-linked businesses and operational synergies, common brand name "Ador", and common promoter group.

The scheme of amalgamation has been approved by the NCLT Mumbai Bench, vide order dated August 20, 2024. The scheme became effective on September 25, 2024, upon filing the certified copy of the order with the Registrar of Companies with appointed date of April 01, 2022. The financials for FY24 have been restated to give the impact of merger. Further, a subsidiary of AFL, 3D Future Technologies Private Limited is now a subsidiary of AWL as on September 30, 2024. The list of companies consolidated for analysis is provided in Annexure 6.

Outlook: Stable

CARE Ratings expects AWL to benefit from its strong market position and brand recognition. The company's business risk profile is supported by its market share in the organised segment of consumables and equipment. Further the merger of Ador Fontech Limited with the company is expected to bring operational synergies such as expanded product portfolio and distribution network and consolidation of manufacturing units for cost efficiencies. The company continues to maintain comfortable financial risk profile with healthy liquidity position amid cash flow generation.

Detailed description of key rating drivers:

Key strengths

Well-established and experienced promoter group

Incorporated in 1951, the company is promoted by J. B. Advani & Company and is a flagship company of the Ador Group. The company has over seven decades of experience in welding products and service business. The company's day-to-day operations are undertaken by a team of qualified and experienced professionals led by Mr. Aditya T. Malkani (Managing Director), belonging to the promoter family group. The J. B. Advani Group was established in 1908 as a small trading company and has become the Ador group's promoter and holding company. The J. B. Advani & Company holds 44.83% of shares in AWL as on December 31, 2024. Presently, the Ador Group consists of companies operating in engineering products and services, cosmetic products, and green energy solutions.

Well-established brand offering, diversified product portfolio supported by comprehensive sales & distribution network

The company is engaged in manufacturing welding consumables, welding and cutting equipment, gas cutting products, welding automation products and systems (WAPS), personal protective equipment and accessories (safety measures), and has F&P business. It offers wide variety (of over 200 types) of electrodes, fluxes, flux-cored wires and specially customised electrodes and services such as design, manufacture, erection and commissioning, mechanical, electrical and instrumentation of process packages, process equipment, flare system, and components. In FY23, the company manufactured over 15,000+ welding equipment (standard and customised) and the estimated annual production of welding consumables (electrodes and wire division) stood at ~60,000+ metric tonnes. The company has a strong distribution network with 300+ distributors selling the products across countries.

Comfortable financial risk profile

The financial risk profile continues to remain comfortable with low utilisation of working capital limits and no long-term borrowing leading to a comfortable gearing and interest coverage ratio and overall gearing stood at 0.09x as on March 31, 2024 (due to utilisation of working capital borrowings of ₹43.07 crore during FY2024) compared to 0.04x as on March 31, 2023. The interest coverage ratio (PBILDT/Interest) remains strong at 29 times in FY24. The financial risk profile is envisaged to remain comfortable going forward on the back of comfortable overall gearing ratio with no long-term borrowings and interest coverage ratio.

TOI grew due to higher volumes, though margins saw slight moderation

In FY24, TOI of AWL (pre-merger) grew by 14.09% y-o-y to ₹888.64 crore, aided by growth in consumables and equipment segment. The company's consumables division reported y-o-y growth of 10% while the equipment division grew by 52% to ₹175.21 crore. However, the services division (earlier known as Flares & Process Equipment), which accounts for a smaller share of revenue, continued to face challenges, with revenue declining from ₹47.23 crore to ₹34.72 crore, primarily due to execution delays in key projects, including the ONGC order. The PBILDT margin moderated slightly to 10.83% in FY24 (PY: 11.70%), impacted by delayed revenue realisation from the F&P division, while associated costs were fully recognised. Additionally, execution inefficiencies in certain automation models led to losses despite overall revenue growth in the equipment & automation segment. The company added new export markets during the year and was able to improve its export sales to ₹120 crore in FY24 (PY: ₹71 crore)

AFL is into the business of maintenance and reclamation, the company reported TOI of ₹203.14 crore, the TOI has been stagnant between ₹203 to ₹208 crore between FY22 to FY24.

Restated consolidated financials of AWL (includes merged AFL and its subsidiary 3D Future Technologies Private Limited) reported TOI of ₹1073.62 crore and PAT of ₹86.46 crore for FY24. In 9MFY25, TOI reached ₹812.66 crore (PY: ₹776.28 crore), supported by ₹653.12 crore from the product division, ₹55.78 crore from services, and ₹149.16 crore from M&R. However, PBILDT margins fell to 8.72% (PY: 10.99%) due to slower industrial activity and decline in steel prices in H1FY25.

Merger of Ador Fontech Limited with Ador Welding Limited

In FY22, AWL had announced the proposed scheme of amalgamation of Ador Fontech Limited (AFL) into/with itself through merger by absorption. The scheme of Amalgamation was approved by the National Company Law Tribunal (NCLT), Mumbai Bench vide order dated August 20, 2024. The scheme became effective on September 25, 2024, upon filing of the certified copy of the order with Registrar of Companies from appointed date of April 01, 2022. The merged entity is expected to benefit from expanded product portfolio and distribution network and manufacturing synergies. For FY24, AFL (Standalone) reported Total Operating Income (TOI) of ₹204 crore and PAT of ₹26.61 crore.

Key weaknesses

Susceptibility to volatility in raw material prices and foreign exchange risk

Steel is the key raw material required by the company for its manufacturing activities, and the company procures it domestically from various players. The inventory levels of the raw material are budgeted as per their production requirements. The volatility in raw material prices is passed on to the end-users to an extent mitigating the input cost pressure. However, any time lag in passing on the cost escalation would impact the company's operational performance, which may affect the operating margins. The company enters forward cover contracts to hedge its foreign exchange risks; however, it does not hedge commodity prices.

Prevalent competition in welding industry from domestic and international players

The welding industry comprises welding equipment, consumables and welding services. The total industry size is estimated to be ~₹10,000-12,000 crore with a share of welding consumables (70%), welding equipment (15%), cutting (10%) and automation (5%). Out of the above total industry size, organized sector forms 50-55% and unorganized sector forms 45-50% of the market size and within the organized players, AWL has a strong presence in the consumables space. The welding consumables market accounts for a significant share in the welding industry compared to welding equipment and welding services. Electrodes, wire, and filler metals are the key consumables used in various welding processes. Some of the key product types of welding consumables include stick electrode, solid wires, flux-cored wires, SAW wires and fluxes among others. Stick electrodes and solid wires are the key welding consumables produced by most welding companies in India. Welding finds wide application in various industries such as automobiles, building & construction, pipelines, and oil & gas. The growth of the welding industry is highly dependent on the consumption of steel in various end-use industries.

Liquidity: Strong

The liquidity position of the company remains strong, marked by healthy cash and liquid investments of ₹70.11 crores as on September 30, 2024. The liquidity profile is further supported by undrawn bank facilities with fund-based working capital limits being utilised to the extent of ~32% during the last 12-months ended January 2025. The non-fund-based limits are utilised to the extent of ~32% during the last 12-months ended January 2025. The company has capex plan to the tune of ₹35 crore during FY25, which shall be funded through internal cash accruals. Furthermore, the company has no long-term borrowings.

Environment, social, and governance (ESG) risks

On the environmental risks aspect, potential material risks associated with the welding business include exploitation of natural resources, change in existing regulations/ emerging regulations impacting sourcing of materials, emissions, waste generation, storage and use of material or quality of finished goods, issue while handling hazardous/ waste materials, regulations, while using plastic products for packaging purposes. To mitigate above mentioned risks, AWL has eliminated the usage of plastic bags for packing the SAW flux and has started 100% usage of re-cyclable paper bags for packaging and has reduced their expenditure by ~15% of their overall energy bill, by reducing the testing time of individual machine. The company has installed solar power plants in Silvassa factory (during 2021-22) of 115 KWP and 518 KWP capacity at Raipur facility, both the plants have generated 5,65,165 unit in FY24, which effectively reduced greenhouse gas emission by 273.3 MT.

On the Social risks aspect, AWL is covered under CSR provisions stipulated by Companies Act, 2013. All provisions like the constitution of CSR committee, prescribed minimum amount of CSR expenditure, have been duly complied with and details covered in CSR Annexure to Director's report as required to be reported.

On Governance risk aspect, AWL has complied with all applicable SEBI guidelines and has all policies are in line with best corporate governance practices including appointment of minimum number of independent directors in its board as mandated by guidelines, corporate governance report have been annexed to directors' report, etc.

Applicable criteria

Definition of Default
Liquidity Analysis of Non-financial sector entities
Rating Outlook and Rating Watch
Manufacturing Companies
Financial Ratios – Non financial Sector
Short Term Instruments
Consolidation

About the company and industry

Industry classification

Macroeconomic indicator	Sector	Industry	Basic industry
Industrials	Capital goods	Industrial products	Iron & steel products

AWL, formerly known as Advani Oerlikon Limited, was incorporated in 1951 by J. B. Advani & Company Private Limited (JBPL) and the Oerlikon-Buhrle Group, Switzerland. In 2002-03, JBPL acquired shareholding of the Oerlikon group and became a majority shareholder in the company. The company is the flagship company of the Ador group. It is engaged in manufacturing welding consumables & equipment and has a F&P business (earlier known as Project Engineering Business). It is among the leading players in the field of welding products and services in India. The company offers various welding products including a wide variety (over 200 types) of electrodes, fluxes, flux-cored wires, and specially customised electrodes. The company's F&P business is engaged in providing customised solutions for projects and contracts related to refineries, oil & gas, petrochemicals, fertilizers, steel plants, pharmaceuticals, water and other chemical complexes and process industries.

Brief Financials (₹ crore) (Standalone)	March 31, 2023 (A)	March 31, 2024 (A)	March 31, 2024 (A) Restated for merger	9MFY25 (UA)
Total operating income	778.88	888.64	1067.27	808.84
PBILDT	91.06	96.25	119.51	72.72
PAT	59.29	63.19	89.35	21.47
Overall gearing (times)	0.05	0.12	0.09	-
Interest coverage (times)	23.96	17.96	29.36	19.87

A: Audited UA: Unaudited; Note: 'the above results are latest financial results available'

Brief Financials (₹ crore) (Consolidated)	March 31, 2023(UA)*	March 31, 2024 (A)	9M FY25 (UA)
Total operating income	990.90	1073.62	812.66
PBILDT	126.75	117.61	70.88
PAT	82.32	86.46	41.96
Overall gearing (times)	0.04	0.09	-
Interest coverage (times)	33.36	28.83	19.31

A: Audited UA: Unaudited; Note: 'the above results are latest financial results available'

*combined financials of Ador Fontech Limited and Ador Welding Limited

Status of non-cooperation with previous CRA: Not applicable
Any other information: Not applicable
Rating history for last three years: Annexure-2
Detailed explainataion of covenants of rated instrument / facility: Annexure-3
Complexity level of instruments rated: Annexure-4
Lender details: Annexure-5

Annexure-1: Details of instruments/facilities

Name of the Instrument	ISIN	Date of Issuance (DD-MM-YYYY)	Coupon Rate (%)	Maturity Date (DD-MM-YYYY)	Size of the Issue (₹ crore)	Rating Assigned and Rating Outlook
Fund-based - LT-Cash Credit		-	-	-	62.50	CARE A+; Stable
LT/ST Fund-based/Non-fund-based-CC/WCDL/OD/LC/BG		-	-	-	98.00	CARE A+; Stable / CARE A1+
LT/ST Fund-based/Non-fund-based-EPC / PCFC / FBP / FBD / WCDL / OD / BG / SBLC		-	-	-	15.00	CARE A+; Stable / CARE A1+
Non-fund-based - ST-BG/LC		-	-	-	56.00	CARE A1+

Annexure-2: Rating history for last three years

Sr. No.	Name of the Instrument/Bank Facilities	Current Ratings			Rating History			
		Type	Amount Outstanding (₹ crore)	Rating	Date(s) and Rating(s) assigned in 2024-2025	Date(s) and Rating(s) assigned in 2023-2024	Date(s) and Rating(s) assigned in 2022-2023	Date(s) and Rating(s) assigned in 2021-2022
1	Fund-based - LT-Cash Credit	LT	62.50	CARE A+; Stable	1)CARE A+; Stable (01-Apr-24)	-	1)CARE A+; Stable (06-Feb-23)	1)CARE A+; Stable (29-Mar-22)
2	Non-fund-based - ST-BG/LC	ST	56.00	CARE A1+	1)CARE A1+ (01-Apr-24)	-	1)CARE A1+ (06-Feb-23)	1)CARE A1+ (29-Mar-22)
3	LT/ST Fund-based/Non-fund-based-EPC / PCFC / FBP / FBD / WCDL / OD / BG / SBLC	LT/ST	15.00	CARE A+; Stable / CARE A1+	1)CARE A+; Stable / CARE A1+ (01-Apr-24)	-	1)CARE A1+ (06-Feb-23)	1)CARE A1+ (29-Mar-22)
4	LT/ST Fund-based/Non-fund-based-CC/WCDL/OD/LC/BG	LT/ST	98.00	CARE A+; Stable / CARE A1+	1)CARE A+; Stable / CARE A1+ (01-Apr-24)	-	1)CARE A+; Stable / CARE A1+ (06-Feb-23)	1)CARE A+; Stable / CARE A1+ (29-Mar-22)

LT: Long term; ST: Short term; LT/ST: Long term/Short term

Annexure-3: Detailed explanation of covenants of rated instruments/facilities: Not applicable

Annexure-4: Complexity level of instruments rated

Sr. No.	Name of the Instrument	Complexity Level
1	Fund-based - LT-Cash Credit	Simple
2	LT/ST Fund-based/Non-fund-based-CC/WCDL/OD/LC/BG	Simple
3	LT/ST Fund-based/Non-fund-based-EPC / PCFC / FBP / FBD / WCDL / OD / BG / SBLC	Simple
4	Non-fund-based - ST-BG/LC	Simple

Annexure-5: Lender details

To view lender-wise details of bank facilities please click here

Annexure-6: List of entities consolidated

Sr No	Name of the entity	Extent of consolidation	Rationale for consolidation
1	3D Future Technologies Private Limited	Full	Subsidiary

Note on the complexity levels of rated instruments: CARE Ratings has classified instruments rated by it based on complexity. Investors/market intermediaries/regulators or others are welcome to write to care@careedge.in for any clarifications.

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About us:

Established in 1993, CARE Ratings is one of the leading credit rating agencies in India. Registered under the Securities and Exchange Board of India, it has been acknowledged as an External Credit Assessment Institution by the RBI. With an equitable position in the Indian capital market, CARE Ratings provides a wide array of credit rating services that help corporates raise capital and enable investors to make informed decisions. With an established track record of rating companies over almost three decades, CARE Ratings follows a robust and transparent rating process that leverages its domain and analytical expertise, backed by the methodologies congruent with the international best practices. CARE Ratings has played a pivotal role in developing bank debt and capital market instruments, including commercial papers, corporate bonds and debentures, and structured credit.

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